

# BRIEFS

## THE MANUFACTURING ECONOMY

### U.S. Industrial Production Rose 1.1% in February

The Wall Street Journal reports that industrial production—a measure of total output at U.S. factories, mines and utilities—increased a seasonally adjusted 1.1% in February from the prior month, the Federal Reserve said Friday. Economists surveyed by The Wall Street Journal had expected a more modest 0.4% gain.

Production in the manufacturing sector rose a strong 1.2% in February from the prior month, including higher production of business equipment and durable consumer goods.

U.S. businesses have picked up their capital expenditures over the past year, including robust spending on new machines and other equipment. A broad business-investment measure, fixed non-residential investment, rose 6.3% in the fourth quarter compared with a year earlier, the strongest annual growth in over three years, according to Commerce Department data.

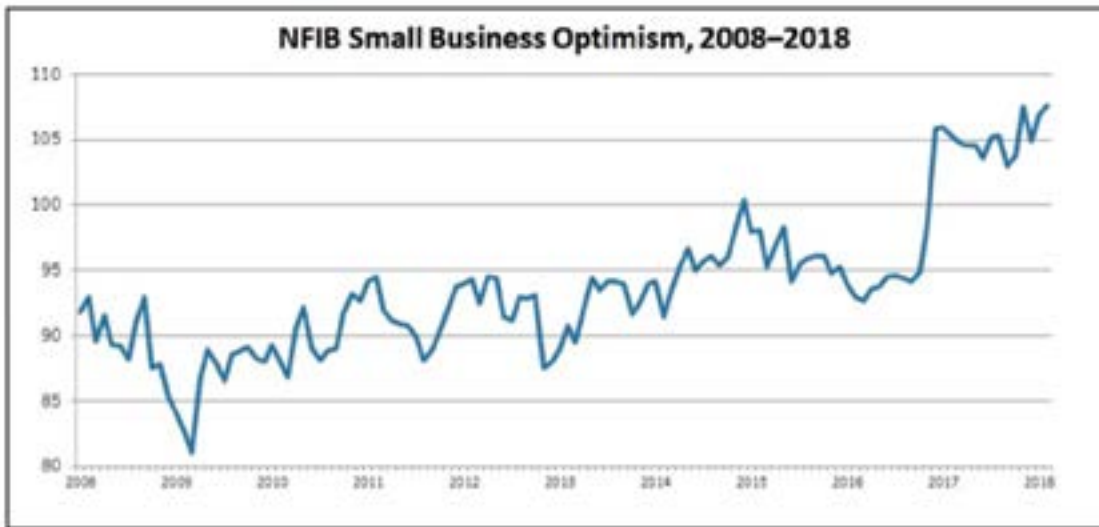
Economists expect the tax cuts passed in late 2017 by Congress and signed by President Donald Trump will help support healthy economic growth this year. Among other things, the package included incentives aimed at boosting business investment.

### Small Business Optimism Nears All-Time High

The National Federation of Independent Business (NFIB) said that the Small Business Optimism Index accelerated once again, up from 106.9 in January to 107.6 in February. This edged out November's reading (107.5) as the highest since July 1983 (108.0). Note that readings above 100 are consistent with strong growth among small business owners, and the robust data seen for much of the past year would suggest a healthy outlook overall in the economy. In that spirit, the percentage of respondents saying that the next three months would be a "good time to expand" was unchanged at 32 percent, a new all-time high, and the percentage of those expecting sales to rise over the next three months increased from 25 percent to 28 percent.

In addition, the labor market remained strong. The percent with positions that they are unable to fill right now remained at 34 percent. Along those lines, the top "single most important problem" was the quality of labor (22 percent), illustrating the tightness of the job market for small businesses. This was followed by taxes and government regulations and red tape, each with 15 percent. With that said, the net percentage planning to add workers in the next three months eased from 20 percent to 18 percent, a four-month low but still suggesting healthy growth.

In a similar way, capital expenditures activity remained promising, with the percent investing in capital jumping from 61 percent to 66 percent, its highest point since 2004. The percent planning to make a capital expenditure over the next three to six months was unchanged at 29 percent.



### Empire State Manufacturing Survey: Business Activity Accelerated in New York State

Business activity grew robustly in New York State, according to firms responding to the March 2018 Empire State Manufacturing Survey. The headline general business conditions index climbed nine points to 22.5. The new orders index rose to 16.8 and the shipments index advanced to 27.0—readings that pointed to strong growth in orders and shipments. Unfilled orders increased, delivery times lengthened, and inventories edged higher. Labor market indicators showed an increase in employment and hours worked. After reaching a multiyear high last month, the prices paid index moved up further, reflecting ongoing and widespread increases in input prices. The prices received index held steady and suggested moderate selling price increases. Firms remained optimistic about future business conditions, though less so than last month, and capital spending plans remained strong.

# Th!nk DUTCHESS ALLIANCE FOR BUSINESS

Proudly Helping  
Council of Industry  
Members Grow



Learn more at:  
<https://thinkdutchess.com>

3 Neptune Road  
Poughkeepsie, NY 12601

info@thinkdutchess.com  
845.463.5400



## LABOR AND EMPLOYMENT

### Supreme Court Declines Administration's Appeal to Review Federal DACA Court Case

The United States Supreme Court declined to hear President Donald Trump's appeal to have the court view the University of California's case on the Deferred Action for Childhood Arrivals Program (DACA) in February.

The President was attempting to bypass the Ninth U.S. Circuit Court of Appeals, the second level of the federal court process, by having the Supreme Court review an order made in January. The January court order by Federal Judge William Alsup, which temporarily blocked Trump's attempt to end DACA, also involved the UC's lawsuit against the Trump administration.



The Department of Homeland

Security will continue to accept DACA renewal applications for existing recipients, while the DACA court case will continue through the regular federal court processes.

The President announced in September that he would end DACA by March 5. The ruling is a reprieve for the nearly 700,000 young immigrants that are protected from deportation under DACA. March 5 was seen as a deadline for Congress to take bipartisan action on immigration reform, which resulted in a three-day government shutdown in January. The court process is expected to take months, which may allow Congress time to pass a long-term spending bill for DACA and immigration reform. However, it may also delay action due to a lack of urgency, since the federal court process will likely pick up in October during the Supreme Court's new term.

## WORKFORCE AND TRAINING

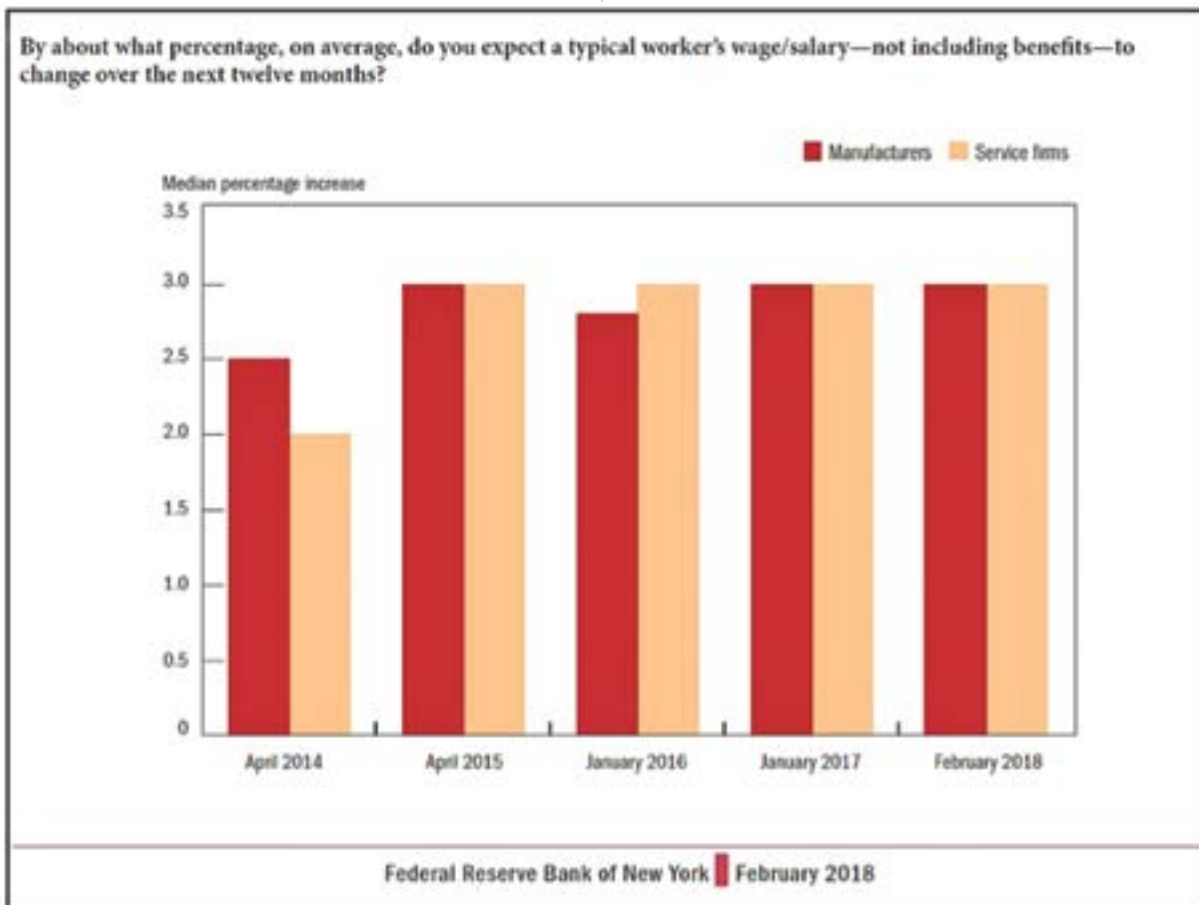
### New York FED Survey: Job Openings Taking Longer to Fill; Manufacturers Hiring More, Raising Starting Pay

Supplemental questions in the February 2018 Empire State Manufacturing Survey and Business Leaders Survey focused on staffing and compensation issues. Firms were queried about the extent of their hiring, the degree of difficulty they encountered in filling job openings, and their expectations for wage and salary growth.

Respondents were asked how many workers they had hired in the past twelve months. The median number of new hires as a percentage of firms' employees was 7.1 percent among

manufacturers (up from 5.5 percent in last January’s survey. When asked how long, on average, it had taken to fill job openings over the preceding twelve months (mostly 2017), the median manufacturing respondent said thirty days which was unchanged from last January’s survey. When asked how these intervals compared with their experience in 2016, 50 percent of manufacturers reported that the duration of job vacancies had increased, while 5 percent or fewer reported a shorter duration. Businesses were also asked how many job openings they had at the time of the survey: the median figure for job openings as a share of the workforce was 2.6 percent among manufacturers (up sharply from 1.0 percent in last year’s survey).

Businesses were also asked how much they expected the wage or salary of a typical worker (not including benefits) to change over the next twelve months. More than 85 percent of both manufacturers and service sector firms expected salaries to increase. The median expected pay increase was 3.0 percent among both manufacturers the same as in last January’s survey. Firms were also asked by what percentage they expected starting salaries for new workers to change in 2018, relative to 2017. In response, 64 percent of manufacturers projected an increase, while the rest expected salaries to remain the same. The median expected change was 3 percent among manufacturers and 2 percent among service sector respondents.



## The Manufacturing Intermediary Apprenticeship Program Expands to Southern Tier and Capital Region

Manufacturers in the Southern Tier and Capital Region will be able to participate in the Manufacturing Intermediary Apprenticeship Program (MIAP) that is currently available only in Central New York, the Finger Lakes and Hudson Valley.

Like most apprenticeship programs MIAP has two basic elements. The first, On-the-Job Training (OJT), consists of a journey-level, craft person capable and willing to share their experience with an apprentice, in a hands-on manner. The second, Related Instruction (RI), consists of learning more theoretical or knowledge-based aspects of a craft. This program also includes a wage progression based on skill attainment.

This commitment between employer and employee, which is at the heart of the apprentice program, makes for a valuable recruiting tool. “People want to see a clear pathway for their career

growth and development.” Said Council of Industry Executive Vice President Harold King. “This apprenticeship program provides a clearly marked path in manufacturing for them.”

What makes this program unique is that regional manufacturers associations – like the Council of Industry – act as intermediaries between the New York State Department of Labor and the participating companies reducing the amount of paperwork required of the companies and also reducing costs.



In the Hudson Valley the program is administered through the Council of Industry. Less than 9 months into the program there are 20 apprentices in 8 participating companies.



Owned and operated by the Esposito Family SINCE 1950

- Protective Packaging
- POP Displays Temporary & High End Permanent
- Thermoforming
- Specialty Die Cuts
- Product Packaging & Fulfillment & Shrink Wrapping
- Acrylic Fabrication
- Product Packing & Kitting
- RF & Heat Sealing
- Computer Design
- Cad Samples

1 Favoriti Avenue, PO Box 2295, Newburgh, NY 12550  
Phone: 845-562-0900 • Fax: 845-562-1020  
E-mail: michael@orangepkg.com

## ENERGY

### FERC Approves ISO-NE CASPR Plan

FERC approved ISO-New England's two-stage capacity auction to accommodate state renewable energy procurements.

ISO-NE proposed the Competitive Auctions with Sponsored Policy Resources (CASPR) construct in January to address state regulators' concerns about ratepayer costs for policy-driven resources and generators' fears that out-of-market procurements would suppress capacity prices.



Under CASPR, ISO-NE will clear the Forward Capacity Auction as it does today, applying the Minimum Offer Price Rule (MOPR) to new capacity offers to prevent price suppression. In the second Substitution Auction (SA), generators with retirement bids that cleared in the primary auction would transfer their obligations to subsidized new resources that did not clear because of the MOPR. The RTO will phase out the renewable technology resource (RTR) exemption, which has allowed it to clear 200 MW of renewable generation in its capacity auction annually (to a maximum of 600 MW) without regard for the MOPR.

FERC's order is an important one, as it approves tariff revisions that reconcile the need to maintain competitive capacity auction markets with the gradual entry of new clean energy resources into those markets, two imperatives that are "fundamentally in tension," according to ISO-NE.

## GLOBAL TRADE

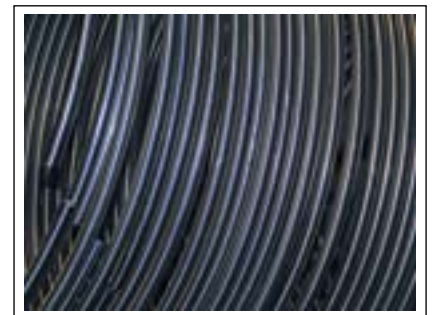
### President Trump Proclaims Steel and Aluminum Tariffs.

On March 8, President Trump signed two proclamations imposing:

- 25 percent ad valorem tariffs on all covered steel imports; and
- 10 percent ad valorem tariffs on all covered aluminum imports.

Tariffs were imposed on March 23. Both proclamations exempted imports from Canada and Mexico "at least at this time."

These actions, taken pursuant to section 232 of the Trade Expansion Act of 1962, were based on reports issued by the Department of Commerce on steel and aluminum. The White House further explained this action in this fact sheet.



Critics argue that Americans could face higher prices on everything from cars to microwaves, and the U.S. economy could sputter and that the action will lead to retaliation against US exports. Proponents believe the tariffs will protect US jobs and aid national security.



## IHS Markit Eurozone Manufacturing PMI Shows continued strength in Global Markets

The global manufacturing sector continues to be healthy. In February, all of the top-20 markets for U.S.-manufactured goods expanded, illustrating the strength of the international economy once again. In addition, the J.P. Morgan Global Manufacturing PMI edged down from 54.4 in January to 54.2 in February, and it remained just shy of December's pace, which represented the fastest pace since February 2011. New orders, output and exports were somewhat softer in February but still quite positive. Hiring growth was not far from the December reading, which—like the headline index—was the best since early 2011. Manufacturing leaders remain very upbeat in their global outlook for the next six months, with the measure for future output at a three-year high.

Europe once again dominated the list of top export markets with strong manufacturing growth. However, other regions were also well represented. Those countries with the highest PMI readings in the sector in February included Switzerland, the Netherlands (an all-time high), Germany, Italy, Taiwan, France, Australia, Canada, Singapore, the United Kingdom and the United Arab Emirates. Looking just at Europe, the IHS Markit Eurozone Manufacturing PMI has fallen from 60.6 in December—its best reading since the survey began



in June 1997—to 59.6 in January to 58.6 in February. Although that was a four-month low, the data remain consistent with strong growth overall for European manufacturers.

# The most valuable raw materials don't come in on your loading dock.

## THEY WALK IN YOUR DOOR.

For Hudson Valley manufacturing to thrive, it needs great talent. So Tompkins Mahopac Bank is doing what we can to help. Our Hudson Valley Make and Accelerate Scholarship supports young people who want to pursue a degree in advanced manufacturing. It's awarded each year to three young people who show exceptional promise and a love for manufacturing. **To learn more about the Hudson Valley Make and Accelerate Scholarship visit [MahopacBank.com/Make-And-Accelerate](http://MahopacBank.com/Make-And-Accelerate)**

**TOMPKINS**   
Mahopac Bank

Member FDIC 